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**DOI:** <https://doi.org/10.1177/0011392116657290>

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### Citation

NAQVI, Ijlal. (2017). Governance as an emergent compromise: Modernization and flexibility in the Pakistani electrical power sector. *Current Sociology*, 65(2), 195-208.

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## Governance as an Emergent Compromise: Modernization and Flexibility in the Pakistani Electrical Power Sector

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**Abstract:** Developing countries are often characterized by a mix of bad governance and initiatives seeking to achieve development through programs of accelerated modernization. When cracks in the modernization process appear, these create opportunities for informalities to seep in where the influence of power relations and culture can lead to new forms of predation or allow governance compromises to emerge. This chapter explores cracks in the modernization process at the national and local levels of the Pakistani electrical power sector, with each level conceptualized as a field of strategic action. The major argument of this chapter is to recognize the importance of emergent compromises for producing workable accommodations of competing interests, improving access to services, and addressing questions of social justice. Flexibility in responding to these cracks in the modernization process is not always a failing, but can be a desirable – and possibly necessary – accommodation. Dynamics at the local and national levels are not exact parallels but share essential characteristics in the way governance compromises emerge.

**Keywords:** Governance; formality; electricity; Pakistan

### Introduction

Compromises between the formalizing imperatives of modernization and the flexibility of bureaucratic agents to adapt to social and organizational constraints are essential to shaping the patterns of coordination and regulation which make up governance in the Pakistani electrical power sector. Discretion, and the opportunity for idiosyncratic outcomes it entails, is unavoidable, and can be exercised with a sense of social responsibility or narrowly construed personal gain. Governance is always an emergent compromise produced by “the complex web of unfolding transactions and processes” in

which bureaucratic must operate (Silbey, 2011). This paper will argue that the capacity of individual bureaucratic agents to choose amongst multiple courses of action – and go beyond their formal bounds – can serve the organizational mandate of public good provision better than the pursuit of modernization in terms of increasing formality. However, the task of preventing this autonomy and discretion from leading to the abuse of public office for private gain depends on the effectiveness of social and organizational constraints on bureaucratic agents which may fall short of the task.

The primary shape of modernization in the Pakistani electrical power sector is a formalization which was intended to promote market mechanisms. As in other countries, international financial institutions pushed a standardized template of reforms towards increasing competition and private sector participation, with poor results (Williams and Dubash, 2004, Williams and Ghanadan, 2006, Woodhouse, 2006).

Electricity in Pakistan is primarily supplied through state-run electrical utilities known as distribution companies. In principle, electricity connections, ongoing maintenance, and payment for the consumption of electricity are all managed according to the bureaucratic rules of business. However, at the individual, group, and national levels, engagement with bureaucratic rules is an imprecise process in which the codified rules are one reference amongst many, such as culture, language, rents and politics.

This paper approaches the modernization of the Pakistani electrical power sector using the framework of strategic action fields (Fligstein and McAdam, 2012). Strategic action fields are socially constructed arenas with which actors with varying resource

endowments vie for advantage. Actors in a field share an understanding of what is at stake, how the positions of different actors are related (i.e. their relative power), and understand the rules of the game which permit certain actions to certain actors.

However, different interpretive frames reflect the relative positions of actors who have varying capacities (social skill) to advance or ensure the claims to legitimacy of their preferred frames and thus serve their own interests. Within this broad theoretical approach, states are a dense network of fields. The local and national levels of the Pakistani electrical power sector are nested like Russian dolls. Each has its own players and dynamics, but the local field is dependent on the national field in that crucial decisions of policy – such as direction of governance reforms – are decided at the national level and implemented at both levels. Governance unfolds on multiple levels simultaneously, but with differing patterns of coordination and regulation at each level.

In the sections which follow, I first lay out the reform paradigm based on formal institutions. I then examine the reality of governance at the offices of the utility company conducting its routine operations, for a squatter settlement seeking to formalize its claim on service delivery, and at the national level where internationally led initiatives to reform the power sector have been introduced. The empirical sections of this paper are based on ethnographic fieldwork conducted in Islamabad, Pakistan over 18 months between 2008-2010. I have a near-native level of fluency in Urdu and did not use a translator. During my fieldwork I interviewed the staff of the electrical utility and their customers, as well as observed the interactions at the utility's local offices. I

subsequently worked for an international development agency providing assistance to the Ministry of Water and Power on energy policy.

### **Governance and Formal Rules**

Two divergent treatments of the relationship between formal rules and governance are found in distinct streams of academic literature. In the literature which uses detailed studies of governance practices as its empirical source material, professional discretion is an unavoidable necessity in tension with broader policy imperatives. Administrators, political leaders, and citizens (or civil society) interact to produce sustained patterns of governance which are specific to their local context. In literature based on cross-national datasets as its empirical basis, governance is crucial to development outcomes and is driven chiefly by formal institutions. This latter approach has been particularly prominent in development thinking, but with poor results.

Governance reforms that concentrated on formal rules and excluded the informal realities of country context have been a failure. OECD development aid targeting governance as a set of formal rules has had “limited impact” despite spending in excess of \$10 billion per year (Institute of Development Studies, 2010). The message that governance reform requires attention to more than the formal rules of governance is now well entrenched in development thinking. However, the dominant theorization of governance for development is drawn from new institutionalist economics, which largely restricts itself to formal rules. The seminal statement of new institutionalism in economics is Douglass North’s (1990) formulation that “Institutions are the rules of the

game in a society or, more formally, are the humanly devised constraints that shape human interaction.” These rules can be formal – codified by human beings – or informal “such as conventions and codes of behavior”. That the institutionalist framework includes informal rules is a major step beyond neo-classical economics, in which treatment of the Global South relied on “social arrangements that economists usually take for granted, but which are conspicuous by their absence in poor countries” (Rodrik, 2007). Northian informal institutions are conceptually cluttered in that they contain everything from *panchayats* (village councils) in South Asia to the Protestant Ethic.

A recent thread in comparative politics has been to start to explore the interaction of informal and formal institutions based on a typology developed by (Helmke and Levitsky, 2006). Helmke and Levitsky posit that the interaction can be complementary, accommodating, competing, or substitutive, depending on the effectiveness of the formal institution and whether the formal and informal institutions diverge or converge. However, the epilogue to the Helmke and Levitsky volume offers the alternative view that formal institutions “may have been plunged into a deep sea of preexisting informal rules and institutions” (O'Donnell, 2006). There is no reason to give precedence to codified rules over the informal, even though that is frequently the case.

Recent state-of-the-art papers in the Annual Review of Political Science have similar tendencies to the literature in economics. Mares and Carnes (2009) present health policy in developing countries in terms of their formal rules and Levitsky and Murillo (2009) explore variation in the strength of political institutions through the enforcement

and stability of constitutional and other legal structures. None of the twenty-two chapters of *The Oxford Handbook of Comparative Institutional Analysis* (Morgan, 2010) look at informal rather than formal institutions. North himself wrote that “while formal rules can help in creating [institutional frameworks conducive to economic growth], it is the informal constraints embodied in norms of behavior, conventions, and internally imposed codes of conduct that are critical” (North, 1998).

The challenge of producing good outcomes through interventions such as formal rules is at the heart of the literature on regulation and governance. The principle that formal rules do not pass unscathed through the organization that must implement them is well-established (Wilson, 1989). Moreover, going by the book and not showing flexibility in the application of rules gives rise to the problem of “regulatory unreasonableness” (Bardach and Kagan, 1982). Nonetheless, many organizations offer routinized solutions, particularly as under-resourced street level bureaucrats must manage an unworkable caseload (Lipsky, 2010[1980]). Discretion, wherein the public officer must choose amongst possible actions (Davis, 1969), is unavoidable in these circumstances.

A new direction in studies of regulation and governance places discretion at the heart of the possibility of “rewarding regulation” when exercised judiciously by a “sociological citizen” (Schrack, 2013, Silbey, 2011). Regulators can exercise their discretion produce insightful and tailored interventions which serve their organizational mandate under challenging circumstances, but uncontrolled discretion can also lead to idiosyncratic decisions and the abuse of public position for private gain. These authors identify limits

to discretion which are social and organizational in origin, and thus probabilistic and pragmatic rather than absolute (Feldman, 1992). As the “identity and self-conception” of the agents implementing policy at the street-level becomes “entwined with their organizational roles,” the pathway to improved organizational performance lies in managing organizational culture rather than the direct management of the agents (Piore, 2011).

The three vignettes that follow illustrate formal rules in action in the Pakistani electrical power sector. They show the interdependence of the formal and the informal, and how the patterning of governance is produced through their interaction. Additionally, they show how increasing levels of formality can sometimes produce undesirable outcomes. In each of these cases, discretion on the part of the bureaucratic agent is a key part of shaping the patterns of governance, and the degree to which this discretion can be tamed to serve the organizational mandate is linked to the influence of social and organizational limits on discretion.

### **At the Offices of the Islamabad Electric Supply Company**

This first vignette of interactions at the offices of the Islamabad electrical utility shows the unavoidable role of individual bureaucratic agents in the passage of formal rules into concrete actions. Personal contact is a necessary step in dealing with Islamabad Electric Supply Company (IESCO) and, consequently, dealing with personal requests is a major component of what IESCO employees do in a day. These demands do not relent even



when they are otherwise engaged, such as in one field visit with Omar Sahib, an

Executive Engineer (XEN):

Throughout this time there have been a steady stream of IESCO employees and consumers bringing in papers to sign, particularly bills which need to be adjusted or addressed in some way. One example. A youngish fellow in jeans, collared t-shirt, with shiny black shoes (cheap and flashy) asks to pay in installments. He brings in the bill, Omar Sahib signs it, and he says “most kind” (in English). At least 20 such people come in during the 2 ½ hours I’m there, at least 30 phone calls too. Omar Sahib has two mobile phones.<sup>1</sup>

Complaints regarding the size of a bill are frequently put to IESCO employees. In his capacity as XEN Omar Sahib is able to permit a bill to be paid in installments, though this request must be made in person as the XEN’s signature is required on the actual bill.

Almost every such request is granted, so long as the customer has a reasonable record of making timely payments. Omar Sahib tells me that it serves IESCO to allow payment in installments because at least some payment will be made on time and there is more chance of the entire bill being paid in course. Allowing a bill to be paid in installments also pleases the consumer and is far less effort than denying it as a consumer will typically protest and argue with the IESCO employee if rebuffed.

Omar Sahib’s role in allowing consumers to pay in installments personalizes bureaucratic operations. Requests are made in person, verbally, at his desk. IESCO consumers can’t avoid encountering him and making a polite request if they wish to pay in installments. Similarly, getting a new connection involves dealing with Babur – the Line Superintendent in charge of new connections – in person. Aside from the need to

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<sup>1</sup> Field notes September 8, 2008.

follow up with an application to ensure that it is being addressed, people have to deal personally with Babur because they don't know the requirements of the new connections process. While documentation is available and given out on request – such as the “Abridged [sic] Terms and Conditions” for a new connection – it deters and confuses, rather than informs, the average applicant.

Babur gives me a copy of the “Abridged” [sic] Terms and Conditions. They're 4 pages of single spaced, dense prose [in English]. I ask if he's read them. Babur shakes his head, laughs, and says no. Babur: “Zubair Sahib [a clerk in the same office], have you read them?” Zubair shakes his head. He doesn't even look up from his files. Babur laughs again: ‘How many years’ service and even he hasn't read them ... when you read them, let us know what they say!’

The formal rules governing new applications are literally in a foreign language to Pakistanis. While many Pakistanis do read English, their facility with it is far less than with Urdu. Nonetheless, the written language of the Pakistani government is usually English.

The necessity of personal contact is the first plank towards the mutually constitutive role of codified rules and informal norms in establishing the institutional field of governance. Unsurprisingly, IESCO employees will help customers out for a small fee (sometimes called “speed money” or described as money for petrol or bus fare). Qasim is an IESCO employee in the disconnection and reconnection department of a sub-divisional office which serves several unfashionable neighborhoods of Islamabad.

While I am in his office, Qasim receives a phone call. He tells the caller that he's in his office, to come upstairs. A young man comes in, they chat briefly, and he gives Qasim a bill along with about Rs 2000. After he leaves, Qasim turns to me to explain that guy is a “*jan-nay wallah*” [‘someone he knows’] and their meter

has been disconnected for a while. He's going to get their RCO [re-connection order] for them. He goes on to explain that 'to get an RCO is complicated.' For older people and ladies - or the people one knows - he or other IESCO staff will help them out. And they'll get a small Rs 100-200 payment for this. He says, "*Is may kuch illegal nahin hai.*" 'There's nothing illegal in this.' Qasim looks at me as he says this, but his eyes meet mine only briefly and then flick downwards. Qasim starts explaining the RCO procedure and I make him repeat it so that I can write all the steps down.<sup>2</sup>

The procedure to reconnect a disconnected meter is a good example of a codified rule controlling service delivery, but this example also demonstrates how such codified rules are filtered through social norms and expectations in truly becoming the rules of the game. Qasim is in effect a gatekeeper because those codified rules are generally unknown. I never saw anyone ask for them at the sub-division office during my fieldwork. The terms of a reconnection are included in the 2010 Customer Service Manual available on the IESCO website,<sup>3</sup> but this laudable step towards transparency wasn't in place at the time of my fieldwork and will not (on its own) serve the 88% of Pakistanis without internet access or those unaware that a handbook exists. At a minimum, a consumer seeking a reconnection will have to approach Qasim in person at least once in order to simply learn the procedure. The tediousness of the procedure – trips to different locations to secure receipts and approvals – also represent a significant transaction cost. Weighing up a tedious and unknown procedure it is little wonder that many consumers will gladly pay a small amount to Qasim to process their paperwork.

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<sup>2</sup> Field notes, February 24, 2009.

<sup>3</sup> Available at <http://www.iesco.com.pk/downloads/Consumer%20Service%20Manual-2010.pdf> Downloaded on May 2<sup>nd</sup> 2011.

I cannot verify when the Customer Service Manual 2010 was posted, but the document's properties indicate that it was created on May 12<sup>th</sup> 2010. No earlier version of this document was posted online.

The written procedure will be followed in the end, but only when mediated by an officer who gains a rent due to their exclusive knowledge. The rules of the game are social because they must be accessed through a gatekeeper and oriented towards rents both because of the gatekeeper's role and the tedious nature of the tasks.

The everyday experience of securing service delivery reveals how the cultural norms and expectations of behavior in state service delivery leave little room for the operation of formal rules – rules which it is neither possible nor desirable to observe. My interviews and fieldwork show how the rules of game in service delivery are shaped by language, power, rents, and violence as much as they are by codified rules. Neither the rulebook nor social reality on their own define the rules of the game, which are instead mutually constituted by the interaction of the two.

A focus on changing written rules is well suited to a technocratic mindset and a top-down administration. Yet in Pakistan, as in many developing countries, an important cause of poor service delivery is the ineffectiveness of internal administrative mechanisms. Bureaucratic commands are simply not fulfilled, though the paperwork may suggest compliance. Because behavior in public service is not effectively governed by the formal rules, changes in those rules are unlikely to bring about the desired changes in behavior.

The patterning of regulation and coordination for the mundane tasks described in this vignette is heavily shaped by personal interactions. Thus there are substantial social and organizational constraints on the discretion of bureaucratic agents. While the

bureaucratic agents are the key actors in moving from formal rules to concrete action, and they will do so in a manner guided by their organizational mandate, there is ample opportunity to apply power and leverage for decision-making which can either produce a steady stream of payments or conform to the needs of influential clients (or both).

### **In an Islamabad Squatter Settlement**

This second vignette illustrates a different type of compromise in which the patterns of governance that emerge deviate from the formal rules, but in doing so enable the electricity supply to a marginalized community. Increasing formality in this setting is problematic because it changes the bargaining position of the claimants from a large group to the individual.

Liaqat, one of my key informants in the 44 Quarter *katchi abadi* (squatter settlement), tells me that IESCO employees are complicit in theft of electricity through illegal connections serving *katchi abadis*.<sup>4</sup> Liaqat tells me that “The same money, instead of going to WAPDA’s treasury went to police and WAPDA staff.”<sup>5</sup> 44 Quarter’s proximity to middle class residential and commercial areas is a crucial advantage in terms of proximity to jobs, and it also means that the same electrical infrastructure to serve their bourgeois neighbors could easily serve them. However, as easy as illicit electricity connections are to enable, they are also easy to spot. For most of 44 Quarter’s history,

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<sup>4</sup> Liaqat is a pseudonym, as is 44 Quarter.

<sup>5</sup> Field notes March 19, 2010. WAPDA, the Water and Power Development Authority, is the name of the vertically integrated utility from which IESCO was carved out. Many Pakistanis still refer to any and all organizations dealing with electrical power as WAPDA.

the police and employees of WAPDA took money from residents in exchange for not ending this practice.

The cooperation from police and WAPDA employees ended in 1998 when the army was invited to help manage WAPDA by the then (and current) Prime Minister Nawaz Sharif. Army personnel were assigned to oversee WAPDA officials with a particular view towards reducing electricity theft.

The 44 Quarter residents formed a committee to get their electricity reconnected. They approach the army brigadier in charge of IESCO and appealed on the basis that they were forced to steal electricity because they were denied the legal connections that would allow them to pay for it. Liaqat says that “It’s our right [to electricity]. If you won’t give it to us, then we’ll take it like this.” (*“Hamara right bunta hai. To aap nahin dain gain, to hum is taran lain gain.”*)<sup>6</sup>

The 44 Quarter residents accepted a compromise that a communal meter be installed. This was a legal connection, but the residents would have to arrange the wiring of all their houses to this single connection point and handle any internal arrangements for allocating charges among the residents themselves.

A few families in 44 Quarter successfully obtained individual electricity meters before IESCO accepted that more generally for all the residents. Adam’s family was initially pleased with the installation of their personal meter because of the subsidized rates. However, the family shortly received a bill showing electricity consumption some 100

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<sup>6</sup> Field notes March 19 2010

times what could reasonably expected from their household. Adam is a reasonably confident young man who expresses himself to me clearly, but his attempts to negotiate at the local IESCO office were unsuccessful. He blames this failure on being insufficiently educated (*'purray likhay'*). The opacity of the WAPDA process and the cold treatment from the staff deterred him, and they are resigned to paying their excessive bill. Adam's family returned to the communal system as a result of their bad experience with the formal system.

To formalize relations with the state is less of a destination than a new negotiating point from which to tackle the ever-shifting challenges of urban poverty. Unlike 44 Quarter, some Islamabad *katchi abadis* have completed the regularization process. The families which had to move when the area was rezoned were compensated with plots in F-10, a relatively well-off area. After taking possession of the land, however, those families sold the land and moved to new *katchi abadis* (Rasool, 2010). Matthew Hull (Hull, 2012) describes how villagers on Islamabad's periphery make serial moves into areas where the city will expand next in anticipation of compensation from authorities for their dislocation. These villagers seek formal recognition by getting their name on a list which identifies those who will be compensated. In both cases, formality has an instrumental utility unrelated to the actual occupation of the land in question.

The residents of the *katchi abadis* are savvy navigators of the tension between formal rules and their capacity to effectively claim service delivery. Securing individual rights isn't necessarily the most advantageous position because it involves a transition from

negotiating with bureaucratic agents as a group to negotiating as individuals. Trying to take advantage of those individual rights can be a losing proposition, as squatters aren't always well placed to follow de Soto's path to prosperity through leveraging property values (de Soto, 2000, Gravois, 2005). The land title itself is just one component of the struggle for voice and recognition by the landless poor (Hetherington, 2011).

### **Policymaking and Structural Change at the National level**

The previous two examples illustrate the emergence of compromises between the formal and informal which still serve the public in some oblique, imperfect way; individuals' cash flow problems are accommodated and squatters get electricity provision. The compromises are shaped by social interactions among street level bureaucrats and the people they serve. This last vignette is at the national level rather than the street level, and illustrates how the idiosyncratic filtering of the formal through the social realities of how state power is exercised can be abused for personal interest. This case isn't included to produce surprise that public office is sometimes abused, and other examples could have shown more constructive compromises (e.g. amongst provincial representatives at the Council of Common Interests) in line with the previous two examples. In contrast, this case shows how hard it can be to prevent this abuse even when the perpetrators are caught in the act by the media and elected representatives.

Power sector reform initiatives have introduced several major structural changes in an attempt to change the processes and outcomes of the power sector. These initiatives



have typically been backed by international donors and multilateral lenders, with – at best – mixed success. In this section I will examine the National Electric Power Regulatory Authority (NEPRA) established in 1997.

NEPRA, like any regulatory authority, can only fulfill its role with the right staff with relevant expertise. The NEPRA Act of 1997<sup>7</sup> states that the chairman “shall be an eminent professional of known integrity and competence with at least twenty years of related experience in law, business, engineering, finance, accounting, economics, or the electric utility business.” To recruit such a person when the post was last vacated in September 2007, NEPRA placed an advertisement in Pakistani newspapers for which it received 72 applications to the post of chairman by October 20 2007.<sup>8</sup> A shortlist of 17 applicants was interviewed by a committee headed by the secretary of the Cabinet division, and the committee sent its recommendation to caretaker Prime Minister Soomro<sup>9</sup> for approval on January 18 2008. The committee’s recommendations were returned without decision on February 14<sup>th</sup>. The next day – three days before parliamentary elections which would lead to a new Prime Minister being installed – the caretaker Prime Minister appointed his Principal Secretary Khalid Saeed to the post of NEPRA Chairman, but also had him retain his then post of Principal Secretary to the Prime Minister. Saeed had not applied for the position of NEPRA Chairman and does not

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<sup>7</sup> An Act to provide for the regulation of generation, transmission and distribution of electric power. The Gazette of Pakistan, Extraordinary. December 16 1997.

<sup>8</sup> “Khalid Saeed retained as NEPRA Chairman,” *Aaj News*, January 7 2009

Available at: <http://www.aaj.tv/2009/01/khalid-saeed-retained-as-nepra-chairman/>

<sup>9</sup> Parliament had been dissolved prior to the 2008 elections originally scheduled for January 8 2008, but delayed to February 18 2008 due to the assassination of Benazir Bhutto.

have the required 20 years of related experience. On February 26<sup>th</sup> 2008, the Pakistan Senate passed a near-unanimous resolution against Saeed's appointment, noting his lack of qualifications, occupation of two government posts simultaneously (which is unconstitutional), and describing the process as "against accepted norms."<sup>10</sup> Saeed resigned from his post as Principal Secretary to the Prime Minister some four hours before the senate resolution against him was moved, but retained his new post as NEPRA Chairman.<sup>11</sup> Despite the senate resolution, a petition before the Lahore High Court challenging his appointment,<sup>12</sup> and the fact that he was near retirement age, Khalid Saeed stayed in his post as Chairman NEPRA. Moreover, an amendment to the NEPRA act on August 12 2011 added "and public administration" to the list of fields in which NEPRA chairmen can have had their requisite 20 years of experience. Not only was the appointment process circumvented to appoint an unqualified candidate in 2008, but now administrators with no relevant experience can legally head NEPRA. The post of NEPRA chairman is now primed as a ripe cherry for retiring bureaucrats wanting to stay on the government payroll after retirement. The lesson is not just that the newly formed regulatory agency was subverted by existing power structures, but also that media attention, a senate resolution, and continued involvement by international donors in electricity reform could not stop it from happening.

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<sup>10</sup> "Senate resolve against appointment of Khalid Saeed as Chairman NEPRA," Associated Press of Pakistan, February 26 2008.

Available at: [http://app.com.pk/en\\_/index.php?option=com\\_content&task=view&id=29955](http://app.com.pk/en_/index.php?option=com_content&task=view&id=29955)

<sup>11</sup> "PS to Soomro quits as Senate passes resolution," *The News*, February 27 2008.

<sup>12</sup> "Appointment of Nepra chief challenged in LHC," *OnePakistan News*, 11 February 2010  
Available at: <http://www.onepakistan.com/news/national/32834-Appointment-Nepa-chief-challenged-LHC.html>

Pakistan is a fractious federation. Power sector policy can either reinforce the stresses between the provinces or diffuse them. Each province has its own profile of generation and distribution, and there is a rough symmetry in that the fuel producing provinces have poorer performance at the distribution level. Disaggregated pricing for distribution and generation will damage the sector as a whole and be politically toxic. One way in which the balance between the different provincial profiles for generation and distribution is recognized is through the uniform national tariff, i.e. the principle that all Pakistani electricity consumers are charged the same rate anywhere in the country. This idea is an anathema to neoliberal reformers who insist on local cost recovery and the operation of each distribution company as a commercially viable entity in anticipation of privatization.

The uniform national tariff serves an important function in maintaining the harmony of the Pakistani federation. While the best performers among distribution companies are in Punjab, the cheapest generation options come from sources in Khyber Pukhtunkhwa, Sindh and Balochistan. Investment in hydro-electric power is largely done by the federal government, and each province (mostly Khyber Pukhtunkhwa) gets profit shares for the hydro-electric generation. However, Khyber Pukhtunkhwa has not been paid royalties in a timely fashion in the past, and they may still feel ownership over the hydro projects located in Khyber Pukhtunkhwa. Just as the benefits of preferred fuels are shared through the common generation pool, the uniform national tariff shares the strengths and challenges of the different distribution company's territories across the federation.

Power was moved from the concurrent list to the federal list in the 18<sup>th</sup> amendment, suggesting that a federal perspective is appropriate.

Arguments for approaching electricity as a provincial issue have some merit, but come with substantial risks. The benefit is that ownership of the major distribution problem – preventing theft and collecting payments – would be in the hands of provincial politicians with the deep local connections to address these issues. However, there is no guarantee that they would seek to do so rather than continue with some variation of the status quo in which they seek jobs for their constituents and rents for themselves over reforms that give a long term benefit to the whole province. Moreover, a complicated new electricity market would have to be designed to adjust for the allocation of different sources of power generation. Breaking up the common generation pool would mean that provinces would compete to have the cheapest energy allocated to them. Regardless of the qualities of the market design (no doubt drawing on best international practices), tremendous pressures would be put on the people deciding on these allocations of power to favor one province or distribution company. The private sector cannot remove institutional weaknesses by magic, and “the process of involving the private sector has itself been a significant source of rents” (Kenny, 2007). Every experience of such structural reforms in the Pakistani power sector suggests that the capacity of existing power structures to subvert new structural arrangements exceeds the capacity of pro-reform constituents to prevent such abuses.

Social and organizational constraints did operate in the case of the NEPRA chairmanship. It is difficult to imagine what more could be done in such a case than to have the senate take notice and for the media to cover it. However, social and organizational constraints are probabilistic rather than absolute. This case may just lend support to the view that Pakistani elite bureaucrats indulge in self-serving practices against their organizational mandate (Niaz, 2010). There is also a contrast to be drawn with the earlier vignettes where the social and organizational constraints on behavior were more immediate and personal than the rarified level of national government. Although the evidence presented here is insufficient to conclude the argument, these vignettes suggest that the capacity of social and organizational constraints to limit discretion in accordance with the organizational mandate is dependent on the immediacy and persistence of those constraints, particularly when manifested as a communal or moral right such as in the case of the *katchi abadi*.

## Discussion and Conclusions

The dichotomization of formality and informality is an incomplete representation of the rules of the game for governance in the Pakistani power sector. For individuals paying a bill in installments or avoiding a disconnection, they have to work through the street level bureaucrats through whom the official procedures are managed. The rules of the game are neither formal or informal, but mutually constituted by the interaction of the formal and informal through social processes. As social processes, the construction of the rules of the game reflects the power and relative position of the actors involved.

The characterization of governance as a strategic action field brings the focus to a dynamic and emergent consideration of how formal rules shape patterns of governance. Modernization, and the responses to it, can take different guises and produce different responses at different levels of analysis. The governance compromises at the national level and local level have different dynamics and outcomes, but in both fields the modernizing impulse is shaped and reformed through its interaction with power and politics.

At neither the local nor the national level does increasing levels of formality produce uniformly desirable outcomes: the squatters who secure individual meters find themselves vulnerable to new forms of predation; collective negotiations can provide more security than an individual contract; auditors can use their position to extract rents; and seasoned bureaucrats can outmaneuver local media and irate politicians. Retreats from formality take place at both local and individual levels as exposure to predation and relative advantage are influenced by modernizing impulses. Whether these discretionary moves are constructive in serving the organizational mandate towards the public good of electricity service provision, however, is hugely shaped by the extent to which social and organizational constraints weigh on the bureaucratic agents who are key actors in these processes and transactions.

The cracks which are revealed in the modernization process can vary from constructive accommodations to local power realities and necessary political compromises to opportunities for predation by local notables. It isn't possible to conclude that these

adaptions to the modernizing impulse are always openings for predation by local notables, as they can also be practical adjustments to an unwieldy process or accommodations of a pressing social need. The patterns of coordination and regulation that emerge in local and national fields of electricity sector governance are always the products of a compromise produced by the interplay of actors navigating formal rules, culture, and power.

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